

189646

STATE OF SOUTH CAROLINA

(Caption of Case)

In re:

Application of Palmetto State Utility Services, Inc.
For Authority To Issue And Sell Securities (Long-
Term Debt or Equity)

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2007 - 425 - w/5

(Please type or print)

Submitted by: Marcus A. Manos

SC Bar Number: 011876

Address: Nexsen Pruet, LLC

Telephone: 803-253-8275

P.O. Drawer 2426

Fax: 803-727-1467

Columbia, SC 29202

Other:

Email: mmanos@nexsenpruet.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other:

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input checked="" type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certificatio
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigator
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input checked="" type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input checked="" type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input checked="" type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

Marcus A. Manos
Member
Admitted in SC, NC, DC

November 28, 2007

VIA HAND DELIVERY

Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
Synergy Office Park
101 Executive Center Drive
Columbia, South Carolina 29211

RECEIVED
2007 NOV 28 PM 3:23
SC PUBLIC SERVICE
COMMISSION

Re: Application of Palmetto State Utility Services, Inc.

Dear Mr. Terreni:

Enclosed for filing with the Public Service Commission is an original and eleven copies of the **Application For Authority To Issue And Sell Securities (Long-Term Debt Or Equity)** along with the Cover Sheet in the above referenced matter. Please return a clocked-in copy to me via our courier.

By copy of this letter and as evidenced by the attached Certificate Of Service we are serving the Office of Regulatory Staff with copies of the above Application.

Thank you for your assistance in this matter.

With best regards, I am

Very truly yours,



Marcus A. Manos

MAM/hjr
Enclosures
cc w/encl.: Office of Regulatory Staff

STATE OF SOUTH CAROLINA

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2007-425 w/b

SC PUBLIC SERVICE
COMMISSION

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In The Matter of)

Palmetto States Utility Services, Inc.)

) **APPLICATION FOR AUTHORITY**
) **TO ISSUE AND SELL SECURITIES**
) **(LONG-TERM DEBT OR EQUITY)**

Palmetto State Utility Services, Inc. ("PSUS") requests the Public Service Commission of South Carolina ("Commission") to authorize PSUS to sell common stock to or to borrow money from its parent company, American States Utility Services, Inc. ("ASUS"), as set forth below, pursuant to S.C. Code Regs. 103-506 and 103-706. PSUS is a public service company incorporated under the laws of the State of South Carolina. A certified copy of its articles of incorporation is on file with the Commission.

1. PSUS intends to either sell common stock or borrow money from its parent ASUS to capitalize its operations at Fort Jackson, South Carolina. The proceeds of the sale or loan shall be used to fund the operations, maintenance and capital improvements, if needed, of the water distribution and waste water systems at Fort Jackson. Should PSUS opt to borrow funds from ASUS, the term of the loan will be longer than twelve months.

2. PSUS applies to the Commission for permission and authority to:

a. Issue and sell up to \$8,000,000 of common stock to or to borrow up to \$8,000,000 from its parent ASUS, or any combination thereof up to a total of \$8,000,000 at such times as PSUS may deem necessary or advisable; and

b. Execute, deliver, and carry out such instruments, documents and agreements as shall be necessary or appropriate to effectuate such sale or borrowing transactions.

3. PSUS requires this financing from ASUS to fulfill its contractual obligations to the federal government. As stated in its application for a certificate of public necessity and convenience, PSUS is a newly formed company and will finance the proposed exercise of the franchise or right with assistance from its parent company, ASUS. PSUS will obtain the necessary financing through the issuance of stock to or borrowing from ASUS.

4. As required by Regulations 103-506 and 103-706, PSUS submits the information below in support of its application for authority to issue and sell common stock to or borrow long term funds from ASUS.

(a) The Amount and Character of the Securities Proposed to be Issued.

PSUS will issue and sell common stock to its parent ASUS or take long term loans from its parent ASUS at prevailing market rates based upon either (i) the Eurodollar ("LIBOR") rate plus .5 to 1.0% depending upon the credit rating of ASUS' parent, American States Water Company, or (ii) the higher of Wells' Fargo Prime Rate and the Federal Funds Rate. The combined total of stock sales and loans will not exceed \$8,000,000.

(b) The Purpose for Which the Securities are Proposed to be Issued.

PSUS will utilize the financing obtained through borrowing or issuance of common stock for the construction, completion, extension and improvement of utility property and facilities pursuant to the terms of its contract with the Federal Government.

Funds generated may also be used to operate and maintain existing utility property and facilities. Funds generated may also be used to retire, refund, repurchase, redeem or reduce outstanding short term debt of PSUS.

(c) The Consideration for Which the Securities are to be Issued.

The common stock shall be sold to ASUS for a price based on book value of and capital needed by PSUS. Any loans from ASUS to PSUS will be made upon the same terms as are set forth in the revolving credit arrangements of ASUS' parent, American States Water Company, a California corporation ("AWR"). A copy of the promissory note dated August 6, 2007 between AWR and ASUS (the "Promissory Note") is attached as **Attachment A**. Definitions of terms used in the Promissory Note are set forth in **Attachment B**. PSUS contemplates that all borrowing made by PSUS from ASUS will be made pursuant to the terms of the Promissory Note or similar promissory notes.

(d) The Description and Estimated Value of the Property, if any, to be acquired through the Proposed Issue.

PSUS intends that the construction, completion, extension, maintenance and improvement of utility property and facilities pursuant to the terms of its contract with the Federal Government will result in improved service for Fort Jackson. A precise value cannot be given at this time.

(e) The Terms and Conditions of the Issuance.

Any common stock of PSUS sold to ASUS will be sold for a price based upon book value of and capital needed by PSUS. As there will be no placement to anyone other than a related entity, there will be no fees or costs associated with the sale of stock. The terms of any loans taken by PSUS from ASUS will comport with the terms shown in

Attachment A and be at prevailing market interest rates available to AWR under the terms of its revolving credit arrangements at the time of the borrowing.

(f) The Financial Condition of PSUS and Its Operations, so far as Relevant.

(1) Financial Condition.

PSUS is a start up company which will be assigned the contract to maintain, own, and operate the water distribution and waste water facilities located on the federal enclave of Fort Jackson near Columbia, South Carolina. PSUS has issued 100 shares of common stock to its parent ASUS in return for initial capitalization of \$100. PSUS has borrowed \$150,783.15 from ASUS as of November 26, 2007, under the terms of the Promissory Note.

(2) Operations.

It is anticipated that PSUS will begin operations on Fort Jackson on January 1, 2008. The funds from this application, if granted, will be used to capitalize and finance those operations.

5. PSUS submits that the purposes for which the proposed issuance of debt or common stock is to be affected as described above:

- (a) Are for a lawful object within the corporate powers of PSUS;
- (b) Are compatible with the public interest;
- (c) Are necessary for PSUS to properly perform its duties as a public utility;
- (d) Will not impair the ability of PSUS to perform its public utility service; and

(e) Are reasonably necessary and appropriate to provide adequate funds for the described corporate purposes.

6. All communications concerning this Application should be provided to:

Applicant's Representative: Granville R. Hodges, Jr.
Palmetto State Utility Services, Inc.
c/o American States Utility Services, Inc.
535 Anton Boulevard, Suite 150
Costa Mesa, California 92626
Phone: (741) 689-1188 ext. 105

Legal Counsel: Marcus A. Manos
NEXSEN PRUET, LLC
1230 Main Street, Suite 700 (29201)
Post Office Drawer 2426
Columbia, South Carolina 29202
Phone: (803) 253-8275
Fax: (803) 727-1467
MManos@nexsenpruet.com

WHEREFORE, PSUS prays that this Commission enter its order:

Authorizing, empowering and permitting the PSUS (i) to issue and sell up to \$8,000,000 of debt or equity securities pursuant to the terms and conditions described herein at such times as the PSUS may deem necessary or advisable, and (ii) to execute, deliver, and carry out such instruments, documents and agreements as shall be necessary or appropriate to effectuate the sale or borrowing transaction or transactions.

Respectfully submitted,



Marcus A. Manos
NEXSEN PRUET, LLC
Post Office Drawer 2426
Columbia, South Carolina 29202
Phone: (803) 253-8275
Fax: (803) 727-1467
MManos@nexsenpruet.com
Attorneys for Palmetto State Utility
Services, Inc.

Columbia, South Carolina

November 28, 2007

VERIFICATION

With respect to the foregoing Application, the undersigned certifies that he holds the position indicated below his name; that he is authorized to make this verification for and on behalf of Palmetto State Utility Services, Inc.; that he has read the Application and knows the contents thereof; and that the same is true and correct to the best of his knowledge and belief.

The undersigned declares under penalty of perjury that the foregoing is true and correct.

Executed on November 26, 2007, in the City of San Dimas, California.

By: Floyd E. Wicks

Floyd E. Wicks
President and Chief Executive Officer
Palmetto State Utility Services, Inc.

STATE OF CALIFORNIA)
 }
COUNTY OF LOS ANGELES)

On November 26, 2007, before me, Carol K. Canamar, Notary Public personally appeared FLOYD E. WICKS personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity as President and Chief Executive Officer of Palmetto States Utility Services, Inc., and that by his signature on the instrument the entity upon behalf of which the person acted executed the instrument.

Carol K. Canamar
Notary Public
Carol K. Canamar

My Commission Expires: June 20, 2009



VERIFICATION

With respect to the foregoing Application, the undersigned certifies that he holds the position indicated below his name; that he is authorized to make this verification for and on behalf of Palmetto State Utility Services, Inc.; that he has read the Application and knows the contents thereof; and that the same is true and correct to the best of his knowledge and belief.

The undersigned declares under penalty of perjury that the foregoing is true and correct.

Executed on November 26, 2007, in the City of San Dimas, California.

By: Robert J. Sprowls

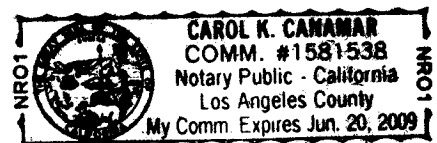
Robert J. Sprowls
Chief Financial Officer and Secretary
Palmetto State Utility Services, Inc.

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES)

On November 26, 2007, before me, Carol K. Canamar, Notary Public personally appeared ROBERT J. SPROWLS personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity as Chief Financial Officer and Secretary of Palmetto States Utility Services, Inc., and that by his signature on the instrument the entity upon behalf of which the person acted executed the instrument.

Carol K. Canamar
Notary Public
Carol K. Canamar

My Commission Expires: June 20, 2009



PALMETTO STATE UTILITY SERVICES, INC.

PROMISSORY NOTE

\$5,000,000

[], 2007

FOR VALUE RECEIVED, PALMETTO STATE UTILITY SERVICES, INC., a South Carolina corporation (“**Company**”), unconditionally promises to pay to AMERICAN STATES UTILITY SERVICES, INC., a California corporation (“**Payee**”), on demand, in whole or in part as set forth in such demand, or, if no demand is made or demand is made only in part, on or before June 5, 2010 the lesser of (x) FIVE MILLION DOLLARS (\$5,000,000) and (y) the unpaid principal amount of all Advances outstanding hereunder. Capitalized terms used herein without definition shall have the meaning given such terms under the Amended and Restated Credit Agreement dated as of June 3, 2005 between American States Water Company, a California corporation and parent of Payee (“**AWR**”) and Wells Fargo Bank, National Association, as Administrative Agent and Lead Arranger (the “**Credit Agreement**”).

Company also promises to pay interest on the unpaid principal amount hereof, from the date hereof until paid in full, at a fluctuating interest rate per annum that is at all times equal to the interest rate paid by the Payee for such Advance. Interest on this Note shall be payable in arrears as follows:

- (a) interest accrued on each Alternate Base Rate Advance shall be due and payable on each Monthly Payment Date,
- (b) interest accrued on each Eurodollar Rate Advance which is for a term of three months or less shall be due and payable on the last day of the applicable Eurodollar Period,
- (c) interest accrued on each other Eurodollar Rate Advance shall be due and payable on the date on which is three months after the date such Eurodollar Rate Advance was made (and, in the event that Payee is able to obtain a Eurodollar Rate Advance of longer than six months, every three months thereafter through the last day of the Eurodollar Period) and on the last day of the Eurodollar Period,
- (d) upon prepayment of any Advance; and
- (e) at maturity.

In no event shall the interest rate payable on this Note exceed the maximum rate of interest permitted to be charged under applicable law.

All payments of principal and interest in respect of this Note shall be made by wire transfer to Payee’s account number [REDACTED] at Wells Fargo Bank, ABA [REDACTED] or at such other place as shall be designated by Payee from time to time. Each payment made hereunder shall be credited first to interest then due and the remainder of such

payment shall be credited to interest, and interest shall thereupon cease to accrue upon the principal so credited.

Company shall have the right at any time and from time to time to prepay the principal of this Note in whole or in part, without premium or penalty. Any prepayment hereunder shall be accompanied by interest on the principal amount of the Note being prepaid to the date of prepayment. Any amount prepaid hereunder may be reborrowed.

No failure or delay on the part of Payee or any other holder of this Note to exercise any right, power or privilege under this Note and no course of dealing between Company and Payee shall impair such right, power or privilege or operate as a waiver of any default or an acquiescence therein, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies expressly provided in this Note are cumulative to, and not exclusive of, any rights or remedies that Payee would otherwise have. No notice to or demand on Company in any case shall entitle Company to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of Payee to any other or further action in any circumstances without notice or demand.

Company and any endorser of this Note hereby consent to renewals and extensions of time at or after the maturity hereof, without notice, and hereby waive diligence, presentment, protest, demand and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to demand hereunder.

If any provision in or obligation under this Note shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

This Note shall be governed by, and shall be construed and enforced in accordance with, the internal laws of the State of California, without regard to conflicts of laws principles.

IN WITNESS WHEREOF, Company has caused this Note to be duly executed and delivered by its officer thereunto duly authorized as of the date and at the place first written above.

PALMETTO STATE UTILITY SERVICES, INC.

By: _____

Title: _____

TRANSACTIONS
ON
PROMISSORY NOTE

Amount Borrowed this <u>Date</u>	Amount of Principal Paid this <u>Date</u>	Outstanding Principal Balance <u>this Date</u>	<u>Notation Made By</u>
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ATTACHMENT B

(Excerpts from Amended and Restated Credit Agreement dated as of June 3, 2005 between American States Water Company and Wells Fargo Bank, National Association)

Interest Rate Provisions

(1) Except as otherwise provided in [the Credit Agreement], the unpaid principal amount of any Alternate Base Rate Advance shall bear interest at a fluctuating rate per annum equal to the Alternate Base Rate plus the Applicable Base Rate Margin.

(2) Except as otherwise provided in [the Credit Agreement], the unpaid principal amount of any Eurodollar Rate Advance shall bear interest at a rate per annum equal to the Eurodollar Rate for that Eurodollar Rate Advance plus the Applicable Eurodollar Rate Margin.

(3) If any installment of principal or interest ... is not paid when due, it shall bear interest at a fluctuating interest rate per annum at all times equal to the sum of the interest rate otherwise applicable thereto ... (or, if no interest rate is otherwise applicable thereto ...), the Applicable Base Rate plus 2.00%.

Definitions

“Alternate Base Rate” means, as of any date of determination, the rate per annum (rounded upwards, if necessary, to the next 1/100th of 1%) equal to the higher of (a) the Prime Rate in effect on such date and (b) the Federal Funds Rate in effect on such date plus ½ of 1% (50 basis points).

“Applicable Base Rate Margin” means, with respect to any Alternate Base Rate Advance, for each Pricing Period, the interest rate margin set forth below (expressed in basis points per annum) opposite the Applicable Pricing Level for that Pricing Period:

<u>Applicable Pricing Level</u>	<u>Margin</u>
I	0
II	0
III	0
IV	0
V	0

“Applicable Eurodollar Rate Margin” means, with respect to any Eurodollar Rate Advance, for each Pricing Period, the interest rate margin set forth below (expressed in basis points per annum) opposite the Applicable Pricing Level for that Pricing Period:

<u>Applicable Pricing Level</u>	<u>Margin</u>
I	50.0
II	62.5
III	75.0

IV	87.5
V	100.0

“Applicable Pricing Level”¹: means, for each Pricing Period the pricing level set forth below opposite the Debt Rating achieved by American States Water Company (“AWR”) as of the first day of that Pricing Period:

<u>Pricing Level</u>	<u>Debt Rating</u>
I	Greater than or equal to A1/A+
II	Less than A1/A+ but greater than or equal to A2/A
III	Less than A2/A but greater than or equal to A3/A-
IV	Less than A3/A- but greater than or equal to Baa2/BBB
V	Less than Baa2/BBB

“Eurodollar Base Rate” means with respect to any Eurodollar Rate Advance comprising part of the same Borrowing, the interest rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) at which deposits in Dollars are offered by the Eurodollar Reference Lender to prime banks in the Designated Eurodollar Market at or about 10:00 a.m. local time in the Designated Eurodollar Market, two (2) Eurodollar Banking Days before the first day of the applicable Eurodollar Period in an aggregate amount approximately equal to the amount of the Advance to be made by the Eurodollar Reference Lender comprising part of the Borrowing and for a period of time comparable to the number of days in the applicable Eurodollar Period.

“Eurodollar Rate” means, with respect to any Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate per annum (rounded upward, if necessary, to the nearest 1/100th of one percent) determined pursuant to the following formula: (i) the Eurodollar Base Rate, divided by (ii) 1.00 minus the Eurodollar Reserve Percentage.

“Eurodollar Reserve Percentage” means, with respect to any Eurodollar Rate Advance comprising part of the same Borrowing, the maximum reserve percentage (expressed as a decimal, rounded upward, if necessary, to the nearest 1/100th of one percent) in effect on the Eurodollar Base Rate for the Borrowing of which such Eurodollar Rate Advance is a part is determined (whether or not such reserve percentage is applicable to any Lender) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as “eurocurrency liabilities”) having a term comparable to the Eurodollar Period for the Eurodollar Rate Advance.

“Federal Funds Rate” means, as of any date of determination, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, “H.15(519)”) for such date opposite the caption “Federal Funds “(Effective)”. If for any relevant date such rate is not yet published in H.15(519), the rate for such date will be the rate set forth in the daily statistical release

¹ As of October [], 2007, AWR was rated A- by Standard & Poor’s Ratings Agency Group (“S&P”).

designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, the "Composite 3:30 p.m. Quotation") for such date under the caption "Federal Funds Effective Rate". If on any relevant date the appropriate rate for such date is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such date will be the arithmetic mean of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that date by each of three leading brokers of Federal funds transactions in New York City selected by the Administrative Agent.

"Prime Rate" means the rate of interest most recently announced within Wells Fargo, at its principal office in San Francisco, California, as its "prime rate". The "prime rate" is one of several base rates used by Wells Fargo and serves as the basis upon which effective rates of interest are calculated for loans and other credits making reference thereto. The "prime rate" is evidenced by the recording thereof after its announcement in such internal publication or publications as Wells Fargo may designate.

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Docket No. 2007-____-____

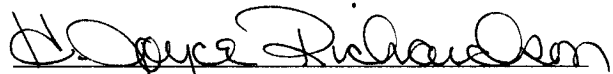
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SC PUBLIC SERVICE
COMMISSION

IN RE:)
)
Application of Palmetto State Utility)
Services, Inc. For Certificate of Public)
Convenience and Necessity)

CERTIFICATE OF SERVICE

The undersigned certifies that five copies of the **Application For Authority To Issue And Sell Securities (Long-Term Debt Or Equity)** has been served upon the below named via hand-delivery and electronic mail, on the 28th day of November, 2007, address as follows:

OFFICE OF REGULATORY STAFF
1441 Main Street, Suite 300
Columbia, South Carolina 29201



NEXSEN, PRUET, LLC

Columbia, South Carolina